

***Addressing Value Proposition and Customers Values in the B2B context
An exploratory study***

Mohammad HALIMI, Vice-President

Hoopad Sazeh Barazman Co., Halimi.psa@gmail.com

Gilles ROEHRICH, Professeur Emerite

Université Grenoble Alpes, gilles.roehrich@université-grenoble-alpes.fr

Abstract: So far, few studies, if any, have explored the links between the facets of a Value Proposition (VP) and the bundle of Customer Values (CV) leading the choice of a customer company in a B2B context. The objective of this research is to carry out the first step in this exploration.

For doing so, we use the conceptualization of the VP proposed by Kaplan and Norton and the CV framework proposed by Roehrich and Llerena. Firstly, we use a Delphi method to determine the elements of the VP of the HSB Company. This first step allows us to give the first support to the validation of Kaplan and Norton's VP conceptualization. Then, we use these elements as input in a laddering process aimed at discovering the values customers relate to this VP. The results give support to the validation of the Roehrich and Llerena's framework. Finally, data gathered in this research show that a relationship between VP and CV is highly probable.

Keywords: Business to Business (B2B), Value Proposition, Roehrich-Llerena's B2B Customer Values framework, Kaplan and Norton's framework, Value, Values.

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Introduction

It is noteworthy that a critical issue facing managers is in deciding the competitive means to achieve superiority in the delivery of customer value in the B2B markets (O'Cass & Ngo, 2012). However, few studies, if any, have explored the links between the facets of a VP and the bundle of Values leading the choice of the customer company.

After defining our understanding of the main concepts of this research in a first part, we present the objectives and qualitative methodology (Delphi method and Laddering technique) that we adopted. Our results give support to the validation of Kaplan and Norton's conceptualization of the VP and the Roehrich and Llerena's CV framework. Finally, data gathered tend to probate the existence of a relation between these both variables.

VALUE, VALUES AND VALUE PROPOSITION

It is necessary to define Value, Value Proposition (VP), and Values in the B2B context to accurately answer the questions mentioned before and to try finding the linkage between them.

VALUE AND VALUES

Although these both words sound similar, the presence or absence of an "s" radically changes their meaning. The fact that value and values are intrinsically and entirely different must also be considered.

Value

In the B2B marketing, creation of value for successful continuance of any business is crucial (Kotler & Keller, 2008), also many scholars in the marketing field believe that creation of value is the leading role of the marketing (Albrecht, 1992; Alderson, 1957; Anderson, 1982; Doyle, 2000; Drucker, 1973).

Following centuries of research on the complexity of value, notably in philosophy and sociology, the business world has taken over this notion. Our concern is more on the notions of exchange value and usage value. The first refers to the sacrifice that the purchaser is willing to make in the purchase, the second to the benefits he or she hopes to get from the usage of the product.

The exchange value depends on the usage value: the higher the usage value, the higher the consented sacrifices. For economists, the usage value is first of all the utility. In the marketing field, marketers try to assist their firms to create, deliver, and communicate the value with their clients and customers continuously and effectively. Also, in marketing, it mostly concerns value of an offer but is now extended to customer perceived value and relationship value. Woodruff and Gardial defined customer-perceived value as *"trade-off between desirable attributes compared with sacrifices attributes"* (Flint, Woodruff, & Gardial, 1997). Customer-Perceived value is also defined by Ulaga and Chacour (2001) as *"the customers' assessment of the value that has been created for them by a supplier given the trade-offs between all relevant benefits and sacrifices in a specific-use situation."*

Another definition of the value comes from [Anderson and Narus \(1999\)](#) studies. They describe value in seller's view as "the worth in monetary terms of the technical, economic, service, and social benefits a customer company receives in exchange for the price it pays for a market offering".

In the end, it can generally be summarised that the value is what remains when sacrifices are compared to desires and primarily could be considered as an economic aspect of our lives trade-offs in a daily transaction.

Values

Values have been a pivotal point of research in different fields as sociology, psychology, anthropology, and other fields as well as Marketing as the principal and fundamental concept. Deep and profound view on the idea contributes to the clear understanding of the dynamism of why customers buy and what they buy. Thus, the notion of the concept of consumer values started developing.

[Roehrich and Llerena \(2011\)](#) studies lead the values notion to the next step by discovering further elements focusing on the B2B context. They have investigated the case of five companies all active in the B2B environment where the client is an organization to discover the convergent value they provided to the market to satisfy which kind of demand values. By assessing these companies, they classified organizational value in two main categories as *Impact and Effect* including internal and external aspects.

The **Impact** is described as the place where the benefit expected from the purchase is supposed to happen. It can be either internal or external. The impact is internal when the company directly keeps the benefit, and it is external when the benefit needs a third party to be maintained.

The **Effect** is related to the nature of the impact, whether it is financial or non-financial. The **Effect** could be *financial* in the case that the results directly bring monetarized value and it is non-financial if the benefit drawn from the purchase cannot be directly translated into money.

Finally, [\(Roehrich and Llerena, 2011\)](#) derived a B2B Customer Values framework centred on four Meta Values (table 1): *Cost Reduction (CR)*, *Efficiency (Eff)*, *Value Added (VA)* and *Market position (MP)*

		Effect	
		Financial	Non-Financial
Impact	Internal	Cost Reduction	Efficiency
	External	Value Added	Market Position

Table 1: Roehrich-Llerena's Customer values in the B2B

- **Cost Reduction** can be either short-term or long-term. The Cost Reduction Meta Value includes sub-values such as price negotiation, by-products valorization, externalization, lean management, and so forth.
- **Value Added** is obtained when the suppliers' products or services help an organization increase its services or products value in the customer's perspective, i.e. increase its

gross margin. The Value Added Meta-Value includes sub-values such as quality, customer loyalty, innovation, and so on.

- **Efficiency/Performance** is gained with any product or service which assists an organization to improve its managerial operations. These investments are made in the hope that they will improve the overall efficiency of the company. This Meta Value includes sub-values such as social concern (training, salaries, ...), atmosphere concern (work conditions, extra work meetings, ...), organization (ERP, communication rules, autonomy, ...)
- **Market Position** is obtained when the supplier assists its client to position better in the market. This Meta Value includes sub-values such as competitive advantage, image and reputation, position in the value network, access to a new market

Two ideas can be derived from this framework. The first one is that these values are Meta Values, which means that they encompass subordinate values and the second idea is that each decision affects this bundle of values which implies that exchange value is drawn from a compromise between values which are satisfied and those which are not. At this point, it becomes evident that there is a relation between value and values.

Value-Values relationship

As seen before, the value is the difference between benefits and sacrifices related to purchase and usage. That is: in the consumption process; outcomes are confronted to values. If they mainly satisfy values, then they are considered benefits. On the contrary, if they mainly go against most of the values, they are considered sacrifices. Notice that the same outcome can be perceived a benefit by a company and a sacrifice by another one just because they do not share the same values structure. Figure 1 illustrates this point of view.

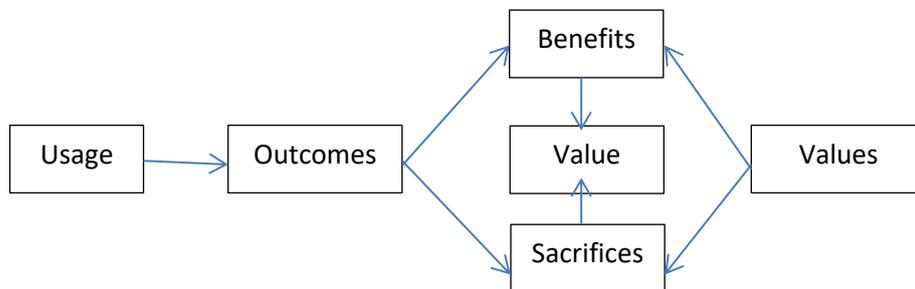


Figure 1: The Value - Values relationship

VALUE PROPOSITION

The Value Proposition could be defined as “the promise made by a company to a segment of customers that its relationship offer will provide in usage a set of benefits which will give to the values set a unique and unchallenged level of satisfaction in view of the sacrifices necessitated by purchase.”

For [Vargo and Lusch \(2008\)](#) VP is an “idiosyncratic, experiential, and contextual” concept, which they consider “ripe for further elaboration”. For [Frow and Payne \(2011\)](#) VP is a systems- and stakeholder-unifying process (see also [Lusch, Webster, 2011](#)).

Anderson et al. emphasise that “distinctive value proposition is crucial to support growth initiative”, therefore the well-crafted value proposition has to be distinctive, measurable, and sustainable ([Anderson, Narus, & van Rossum, 2006](#)).

Kaplan and Norton (1996) define the VP as “the unique mix of product and service attributes, customer relations and corporate image that a company offers”. Their VP framework (Figure 2) consists of (1) product/service attributes which could be named the products’ utilitarian characteristics, (2) The relationship which includes all dimensions of the relationship between company and customers for instance partnership and also Relationship Atmosphere (Roehrich, Spencer, 2003, 2004). In the meantime, there are other dimensions in the relationship especially in the B2B context such as competence, relationship benefit, bonding, customization, attractiveness, and shared values. (3) The image which includes whatever imbues the products. By the image, the customer will get the impression of the products and services beforehand (Kaplan & Norton, 1996).

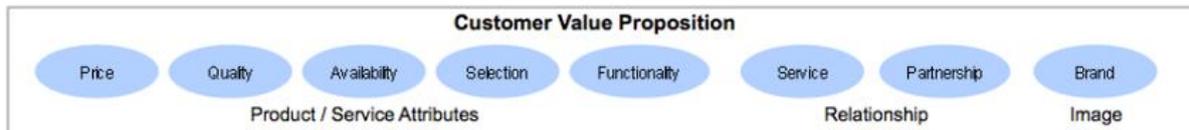


Figure 2: Kaplan and Norton’s Value Proposition elements

To our knowledge, few if any research has been undertaken to explore the supposed relationships between Customer Values and Value Proposition. This exploratory research aims at providing first insights on that question.

RESEARCH QUESTION AND METHODOLOGY

Here are presented the specific objectives and the qualitative methods used in this exploratory research.

RESEARCH QUESTION

As said above, the main objective of this research is to provide a first insight into the “Customer Values – Value Proposition” relationship. More precisely, it can be said that we are guided by the following question: *“do the Customer Values affect the evaluation of the Value Proposition? Moreover, if yes, how?”*

Provide the first answer to that question implies that we have a clear understanding of what are the two main concepts. Following Kaplan and Norton (1996), we consider the VP to be composed of three facets: (1) product and service attributes, (2) image, (3) relationship. Following Roehrich and Llerena (2011), we consider CV in a B2B context to be organized according to four meta-values: cost reduction, value added, efficiency and market position.

However, these both conceptualizations have never been validated. Thus, we pursue two first sub-objectives:

1. Provide an empirical validation of the Kaplan-Norton’s conceptualization of a Value Proposition and
2. Provide an empirical validation of the Roehrich-Llerena’s conceptualization of a B2B Customer Values.

During the path of the process of validation of these both conceptualizations, some by-results will give the opportunity to progress toward the exploration of the third sub-objective: assess the probability of a link between B2B Customer Values and Value Proposition.

METHODOLOGY

The research field is the HSB Company because of the customers' data availability in its CRM system's database. HSB Company acts in the construction market especially in infrastructure projects in the B2B context.

Objective	Methodology	Sample	Data collection
Validation of K&N's VP framework	Delphi Model	Company's employees	Qualitative
Validation of R&L's B2B Customer Values Framework	Laddering Technique	Customer of company	Qualitative

Table 2: Research Methods

Two methods have been used in this research: the Delphi method for validation of the Kaplan and Norton framework and the laddering technique for the validation of the Roerich and Llerena framework (table 2).

Step 1: Delphi method is used to validate the Kaplan and Norton's structure of a VP with an objective of highlighting the internal structure of HSB's VP. As a result, this process produced a list of elements which characterize the content of HSB's VP. Two experts have classified these elements into each part of the Kaplan and Norton's VP conceptualization to provide a validation possibility.

Step 2: hard laddering technique based on means-end chain (MEC) theory proposed by [Reynolds and Gutman \(1988\)](#) is used to identify the list of values addressed by HSB's Value Proposition. This technique helps to discover and link the attributes, consequences and values at stake in a specific consumption situation because respondents construct the Attribute→Consequences→Values ladder. This means that the respondents themselves name the values. The ten most frequent customers in last three years accepted to participate in this research. For each of the attributes provided by the Delphi Method, these respondents were submitted to the following questions: (1) what is the primary benefit (consequences) of this attribute in your point of view? ,(2) Which value(s) make this consequence important for you?

This step provided two important pieces of information: (1) a list of values as they are named by the customers and (2) a first step into the relationship between these values and the VP.

RESULTS

PARTIAL VALIDATION OF THE KAPLAN AND NORTON'S VP CONCEPTUALIZATION

The product chosen for this research is a modular expansion joint used in the bridges as an anti-seismic system. It is important to notice that customers of this product are not the final users. They are intermediaries between HSB and the owner of the bridges. For practical reasons, we were constrained to explore only 2 of the 3 facets of Kaplan and Norton's VP framework: product/service attributes and image.

After three runs, the Delphi process provided 43 elements of HSB VP of the modular expansion joint: 24 which 2 experts classified in the Attributes facet and 19 which they classified in the Image facet.

Moreover, it appeared that Attributes could be divided into 2 sub-dimensions: product attributes and service attributes, whereas Image characteristics include four sub-dimensions: brand, references, certificates, and warranty. This result gives first and partial support to

empirical validation of Kaplan and Norton's VP conceptualization along with a first deepening of their proposition.

VALIDATION OF THE ROEHRICH AND LLERENA'S CV FRAMEWORK

The hard laddering technique (by card) was used to see how each different VP aspects of HSB Company discovered in the first step are related to consequences and finally to the Customer Values. The list of the values given by the respondents is as short-term cost reduction, long-term cost reduction, value added, market position, newness, risk reduction, product efficiency, product quality, easiness in product instalment, and easiness in product maintenance. The explanations given by respondents during the interview make it possible to connect newness, product efficiency, easiness in product instalment and maintenance to value added, risk reduction to market position.

Finally, the results of the laddering step give the first support to the Roehrich and Llerena framework and suggest that short term and long term risk reduction should be separated.

EXPLORATION OF THE LINK BETWEEN VP AND CV

Each different value proposition (VP) aspects of HSB Company is related to consequences and then linked to Consumer Values (CV) by use of the hard laddering technique (by card). Eventually, it is validated the linkage between VP and CV.

CONCLUSION

The Delphi method outcomes give Partial validation to the Kaplan and Norton's. Also, the laddering techniques' outcomes significantly support the Roehrich-Llerena's framework as the Costumer Values framework in the B2B context considering that short-term and long-term risk should be separated.

HSB Company at time of conducting this research was four years old, and modular expansion joint was newly introduced to the market while it has been used for many years in Europe. Therefore the customers and respondents do not have enough experience functionality of it in real projects. Therefore, the research limited to innovative product in its introduction phase.

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